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United States Department of Treasury
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CMS-2023-0106
TREAS-DO-2023-0008

To whom it may concern:

Synchrony is pleased to respond to the Request for Information Regarding Medical Payment Products published by the Consumer Financial Protection Bureau ("CFPB"), the Department of Health and Human Services ("HHS"), and the Department of Treasury ("Treasury") (collectively, the "Agencies") in the *Federal Register* on July 12, 2023 ("RFI").[1]

The RFI pertains to a wide range of worthy and important topics. We support and share the Agencies' desire to ensure that consumers are treated fairly and in accordance with the law. CareCredit would like to play a constructive role with the Agencies in connection with how consumers can be best served when seeking the health and wellness care they want. In fact, and as the CFPB knows, CareCredit has strong and industry-leading standards developed in conjunction with the CFPB relating to how CareCredit engages with its providers. We believe our experience in these relationships can be a valuable resource to the Agencies.

In this letter, we discuss:

- What CareCredit is (and is not);
- The fact that when a consumer chooses to pay for medical care with CareCredit, these transactions are overwhelmingly for elective procedures. CareCredit's presence in hospitals and health systems is exceedingly small, including as a percentage of payments made to such entities;
- How CareCredit *enhances* consumers' access to care;

[1] Request for Information Regarding Medical Payment Products, 88 Fed. Reg. 44218 (July 12, 2023) [hereinafter *Request*].

- CareCredit's industry-leading standards and how CareCredit can partner with the Agencies on addressing various concerns; and
- The benefits of deferred interest financing.

We also provide three appendices. Appendix A responds to some of the specific questions raised in the RFI. Appendix B is a copy of our Transparency Principles, discussed below. Appendix C includes select portions of CareCredit cardholder testimonials that were submitted to the CFPB in response to the RFI.[2]

Background on CareCredit

CareCredit resides in Synchrony's Health and Wellness platform. CareCredit is both a branded credit card issued to consumers and a credit card network brand. The CareCredit network is a three-party (or closed) credit card network, similar to that of Discover and American Express. Specifically, CareCredit is both the issuer and acquirer for CareCredit cards.[3] CareCredit has been offered to consumers for more than 35 years. Consumers can use their CareCredit cards to pay for a variety of health, wellness, and veterinary products and services at over 266,000 acceptance locations across the country, including large retail chains, veterinary clinics, dental offices, and cosmetic practices.[4] Consumers use CareCredit to pay for everything from dental care, fitness equipment, spa services, pet grooming and boarding, to virtually anything in the store at certain nationwide retail chains. We are pleased that so many consumers find value in CareCredit to make these types of payments; consumers overwhelmingly rate CareCredit highly, including a 90% satisfaction rate. Our research also indicates that CareCredit has a net promoter score of 76, far exceeding the consumer finance industry average of 42.[5]

CareCredit is the leading health and wellness credit card brand. To the extent that CareCredit is used for medical expenses, those expenses overwhelmingly relate to *elective* medical procedures not usually covered by insurance. These include dentistry, cosmetic procedures, and LASIK surgery. While CareCredit has recently been exploring how to serve cardholders when they make payments to hospitals and health systems, payments to such entities (which can involve payment for a variety of elective and non-elective procedures) represent a very small fraction of CareCredit's transaction volume and a virtually unmeasurably small amount of transactions at hospitals and health systems across the country. For example, CareCredit has various types of relationships with over 300 hospitals in the country. These comprise less than 1% of CareCredit's approximately 266,000 acceptance locations and account for less than 1% of CareCredit's transaction volume. CareCredit's acceptance and presence in hospitals and health systems is exceedingly small by any measurement.

It is important to understand CareCredit's role in the payments ecosystem. The CareCredit card is a credit card. It functions like any other credit card. For example, a consumer can use a CareCredit, Discover, or Visa card anywhere such card is accepted to pay for goods and services, and repay the card

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[2] These testimonials were selected from the approximately 25,000 comments we believe our cardholders submitted to the CFPB in connection with the RFI and the CFPB's related hearing on the topic.

[3] CareCredit is Synchrony Bank's brand for the network and the associated credit card. This letter will generally refer to CareCredit to avoid confusion, even if the more precise reference in the context of the sentence would be to Synchrony Bank. For example, Synchrony Bank is the actual issuer of the CareCredit credit card.

[4] The majority of CareCredit credit cards have utility solely within the CareCredit network which has over 266,000 acceptance locations. Some CareCredit cards are also enabled on the Mastercard network, and can be used anywhere Mastercard is accepted. In this letter, the discussion of CareCredit pertains only to the cards used on the CareCredit network.

[5] Our customer satisfaction score is based on a survey of 1,000 cardholders who rate their satisfaction with CareCredit as "highly satisfied." Our Net Promoter Score is calculated based on a survey of 1,000 cardholders and taking those who rate CareCredit a 9 or a 10 and subtracting those who rate it from 0 to 6.

issuer according to the account terms. Each of these types of credit card accounts is regulated in the exact same way under the CFPB's Regulation Z. Functionally and regulatorily, there is no difference between these products, although different merchant locations may or may not accept one or more of these brands and each credit card issuer may provide differentiating cardholder benefits.

The fact that a CareCredit card is structurally no different from other credit cards is important in the context of the RFI. The RFI is focused on products the Agencies call "medical payment products" ("MPPs") and "medical credit cards." These terms are not used in federal law or regulation, so we rely on the definition provided by the Agencies in the RFI to understand what is meant by these undefined terms. The Agencies state that "[c]harges to these products [*i.e.*, MPPs and medical credit cards] *are limited to* medical procedures, items, or services at participating medical service providers."[6] This definition is helpful in understanding the scope of the products within the purview of the RFI. CareCredit's utility is ***not*** limited to medical procedures, items, or services at participating medical service providers. CareCredit is therefore, according to the Agencies, neither a "medical payment product" nor a "medical credit card." Nor are, for example, credit cards issued on the Mastercard or Visa network, even though there is significant transaction volume relating to medical procedures, items, or services on those networks (and we believe significantly more of such volume than on the CareCredit network). We are pleased that the Agencies have specifically recognized that credit cards that can be used for purchases unrelated to medical care, such as CareCredit, are not MPPs.[7]

We take great care to offer CareCredit responsibly. CareCredit credit cards are underwritten in a safe and sound manner consistent with regulatory requirements and expectations. Applicants must demonstrate that they are creditworthy and satisfy the CFPB's "ability to pay" requirements in Regulation Z before they can receive a CareCredit credit card.[8] CareCredit denies applications from consumers whose credit history suggests they will not be able to repay their CareCredit balance. CareCredit has every interest in underwriting credit cards responsibly—not only is that the regulatory expectation, but CareCredit suffers the loss when a cardholder ultimately cannot repay the balance. CareCredit—not the merchant, and not the cardholder—loses money when the cardholder does not repay a credit card balance.

CareCredit Enhances Access to Care

The RFI states that "[i]n some cases, [MPPs] may allow patients to access care they would otherwise have to forgo."[9] The same is true for CareCredit—it expands Americans' access to health care. We believe that any discussion of consumers' payment options for health care should start from the premise that credit expands consumer purchasing power. For example, based on a recent survey of CareCredit cardholders, 44% of cardholders said they would have postponed their most recent procedure if CareCredit had not been available. An additional 11% would have settled for a lesser procedure. In other words, over half of CareCredit cardholders surveyed would not have gotten the care they wanted when they wanted it without CareCredit. It may also be helpful to highlight some of the comments our cardholders submitted to the CFPB in connection with the RFI:

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[6] *Request* at 44283 (emphasis added).
[7] Despite CareCredit not being an MPP nor medical credit card based on the Agencies' definitions of such terms, the RFI makes an erroneous reference to CareCredit as a "medical credit card" or "medical payment product." (*See Request* at 44283.)
[8] *See* 12 C.F.R. 1026.51.
[9] *Request* at 44282.

- "…my child needed 3 root canals in one year and had to be hospitalized due to cellulitis from her tooth infection. There is no way I could have afforded her dental work without the interest-free options I got from CareCredit to allow a then 14-year old to keep her teeth." Rachael W.
- "If it weren't for CareCredit, I wouldn't be able to have lower dentures…I had gone four years without bottom teeth. If it weren't for CareCredit I would still be toothless and limited in what I can eat." John S.
- "CareCredit has helped me greatly being a single mother. Babies are already expensive, but adding bills on top of that makes it more expensive. CareCredit helps me be able to pay for things I need while still being able to afford larger bills. Without CareCredit I wouldn't be able to afford basic needs on top of bills that have deadlines. With inflation, CareCredit has been an absolute blessing for me and my family to keep affording necessities and also being able to pay off larger bills." Olivia H.
- "Without CareCredit, my dog couldn't have had the required surgery. She was family, and without it, we'd have had to put her down. I also used CareCredit when I didn't have any credit cards for dental work. Not everyone has the ability to qualify for regular cards or deal with those interest rates. Don't punish low-income people even more." Robin M.
- "Without CareCredit my son wouldn't get necessary dental treatment and orthodontist appointments not covered by my insurance without stressing my family finances." Tiffany H.

When a consumer seeks health or wellness care, he or she may incur out-of-pocket expenses. For the CareCredit cardholder, this may include deductibles and copays for procedures covered by insurance, or the full cost of elective or other procedures not covered by insurance. In fact, the increasing prevalence of high deductible insurance plans over the past several years means that even consumers with insurance may have meaningful out-of-pocket expenses. We recognize that there is significant and important debate about whether changes should be made to our health care system, including about who should pay and how much it should cost. We do not offer comment on that broader debate. Our comments are predicated on the fact that millions of Americans have out-of-pocket expenses associated with health care. It is clear that if a consumer does not have, or is not willing to use, ready cash to pay for these expenses, the consumer will almost certainly not be able to obtain the care he or she wants. In this regard, CareCredit plays a vital role in giving consumers the opportunity to obtain the care they want with the ability to pay for such care over time.

It bears repeating: CareCredit expands Americans' access to care. Although not explored in the RFI, the availability of credit is a key facilitator for millions of consumers seeking care. We urge the Agencies to consider how to measure the quantitative and qualitative benefits associated with consumers' ability to use credit when paying for care. Conversely, the Agencies should also explore the harms that would accrue in those circumstances that consumers cannot access care due to lack of available financing. We recognize the Agencies may have concerns about how consumers pay for care, but any cost-benefit analysis employed by the Agencies as part of policymaking must consider how consumers benefit from credit and, conversely, on how consumers could lose access to care if limits were placed on reliable and popular payment options.

CareCredit Does Not Engage In, and Actively Works to Prevent, Practices Described in the RFI

The RFI is focused on MPPs, and therefore CareCredit is generally outside the scope of the Agencies' requests for information.[10] However, we believe we can provide useful and constructive perspective to

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[10]*See, e.g.*, *Request* at 44287-44289.

the Agencies on the topic of how Americans choose to pay for health and wellness products and services. We would welcome an opportunity for further discussion on these and related topics.

Issues of Particular Relevance to CareCredit

First, we would like to address several of the discrete concerns raised by the Agencies in connection with MPPs but that could also relate to CareCredit.

- *Propensity to Pay Scores.* Neither CareCredit nor Synchrony offer "financial clearance scores" or "propensity-to-pay scores" as described in the RFI.
- *Provider Incentives.* CareCredit does not provide incentives to providers to promote CareCredit.[11]
- *Avoiding Credit Reporting/Debt Collection Restrictions.* CareCredit has not advertised, and does not advertise, that providers can accept CareCredit to avoid restrictions on credit reporting or debt collections.
- *Length of Billing Cycles.* CareCredit's billing cycles are similar to that of any other credit card. Even if the billing cycle were shorter relative to other credit cards, it would have no impact on a due date and/or late payment (as implied by the Agencies') given Regulation Z requirements governing timing of billing statements and standardization of due dates.[12]
- *Length of Deferred Interest Promotions.*[13] CareCredit's deferred interest promotions are generally equivalent in length to those offered elsewhere by Synchrony and other credit card issuers when considering the transaction size. Additionally, the percentage of CareCredit cardholders who pay no interest in connection with deferred interest financing is consistent with Synchrony and industry-wide percentages.

We turn now to the core concern described in the RFI, *i.e.* that providers may be engaging in behavior that is contrary to their patients' best interests. A recurring theme throughout the RFI is that a meaningful number of providers' offices are pressuring consumers to sign up for MPPs and/or not providing sufficient guidance as it relates to billing and payments. As a general matter, we do not believe this to be true as it relates to CareCredit. Our experience suggests that the vast majority of cardholders have no dispute with their provider, with the care they receive, or how the provider bills for services. It is not clear if the Agencies have additional data detailing the prevalence of the concerning behaviors described in the RFI, but we welcome the opportunity to learn more about the Agencies' perspective in more detail.

Although the CFPB is well familiar with CareCredit's industry-leading practices as it relates to managing relationships with providers—indeed, several of these practices were developed in conjunction with the CFPB—we would like to take the opportunity to describe how CareCredit protects its cardholders, its brand, and its network in connection with providers' offering and acceptance of CareCredit. While our

[11] CareCredit may offer a provider (including a hospital) prospective pricing based on historic payment volumes. The RFI states that MPP companies "offer lower processing or management fees to providers who enroll more consumers—giving those providers an incentive to enroll as many patients as possible." (*See Request* at 44286.) We do not believe this to be true. It is likely that a provider seeking to minimize the cost of payment acceptance would prefer a consumer to use more widely accepted credit or debit cards regardless of any pricing arrangements offered by an MPP company or CareCredit.

[12] *See* 12 C.F.R. 1026.5(b)(2)(ii)(A) and 1026.7(b)(11)(A).

[13] We discuss deferred interest in more detail below.

experience is almost exclusively outside of the hospital and health system environment, we believe our experience is relevant to the Agencies' inquiry.

Additionally, CareCredit partners directly with providers and merchants to accept CareCredit-branded credit cards. Some providers present CareCredit as a payment option to their patients. In this regard, the provider may have collateral describing the benefits of CareCredit (*e.g.,* signs, brochures) as well as the ability to facilitate an application for a CareCredit credit card. Even though providers may inform consumers about the availability of CareCredit, the vast majority of our applications are received directly from the consumer (*e.g.*, the consumer submits the application on an Internet-enabled device). Of course, CareCredit applications are subject to CareCredit's underwriting and approval standards.

In an effort to ensure that the providers in the CareCredit network present our financing options in an appropriate manner and that cardholders receive clear and accurate information about how CareCredit works, we have implemented a range of requirements for participating providers. Many of these requirements are encapsulated in the Transparency Principles (see Appendix B) that are included in each provider's contract with us. The Transparency Principles reference our requirements that:

- Personnel who discuss CareCredit financing with applicants take and pass our training prior to being able to accept the CareCredit card and refreshed every two years;
- Providers must follow our approved advertising templates and disclosures when promoting CareCredit;
- Providers must explicitly disclose to any person using promotional financing certain key information about the promotion, such as length of term, interest rate, and what happens when the promotional term expires;
- Amounts financed on the CareCredit card should be for services actually rendered within a certain period of time, generally 30 days; and
- Providers take certain measures to provide returns/refunds, respond to complaints and disputes, and retain records to assist in such resolutions.

Additionally, we limit when CareCredit can be presented to customers and patients, prohibiting providers from promoting CareCredit in the emergency room and from facilitating any credit applications from customers or patients who are under duress, such as sedation, extreme discomfort or heavily medicated.

While we continuously seek to improve our processes and how we serve our cardholders, we believe that the measures we take today have been largely effective in preventing the type of consumer harm the Agencies' describe in the RFI. The proof is in the pudding. CareCredit earns the highest net promoter score in the credit card industry at 76 (compared to an industry average of 42), and enjoys a 90% cardholder satisfaction rating. These customer satisfaction metrics reflect our commitment to a positive cardholder experience. We invite further discussion with the Agencies about our experience with providers and how to continue to improve the customer and patient experience in paying for out-of-pocket expenses.

We certainly realize there are instances where cardholders are dissatisfied with their experience with CareCredit, and that in some cases, this dissatisfaction is caused by provider behavior. CareCredit monitors complaints that cardholders lodge against providers in the network. When cardholders dispute a charge on their CareCredit account, we follow established processes and regulatory requirements to adjudicate whether the provider followed the procedures that we require of them with respect to their participation in the CareCredit network. If we determine they have not, we refund the disputed charge back to the cardholder and may take additional measures depending on the specifics of the dispute. We generally also rescind the disputed payment that was made to the provider.

Although CareCredit provides industry-leading standards, crafted pursuant to CFPB input and requirements, we would welcome a discussion with the relevant Agencies to discuss what other initiatives may address various Agency concerns. While some issues fall outside of CareCredit's ability to address (as discussed below), we may be able to leverage our role as a facilitator of payment between patients and providers in a manner that furthers the Agencies' objectives without reducing consumers' awareness of, and access to, CareCredit. We stand ready to discuss these matters further.

Issues of General Applicability

The RFI describes a variety of concerns regarding the use of MPPs in connection with paying for health care. The majority of these concerns are equally applicable, however, to virtually any form of payment the consumer could use to pay for out-of-pocket expenses. These concerns include how MPPs—or more realistically, any form of credit (and in many instances, any form of out-of-pocket payment whatsoever)—could lead to:

- Providers not submitting insurance claims
- Providers avoiding "slow and complex insurance reimbursement" and wanting faster, more efficient payment
- Providers not explaining insurance coverage
- Providers charging prices that exceed those negotiated with the consumer's insurance company
- Providers not screening for charity care[14]
- Consumers not being able to negotiate lower prices
- Consumers losing the ability to dispute an erroneous charge
- Certain debts appearing on a credit report that would otherwise be excluded
- Downstream consequences if the credit is not repaid (*e.g.*, damage to credit history, wage garnishment, collections, etc.)
- Increasing medical debt

These concerns do not appear unique to any particular form of payment, but rather apply more broadly to any form of payment. For example, there is no reason why a provider would be less likely to submit an insurance claim (or explain insurance coverage, or screen for charity care, etc.) depending on whether the consumer uses cash, an American Express card, or a CareCredit card to pay for the services rendered.

In fact, when a consumer uses a credit card (including CareCredit) to make a payment, the consumer receives *enhanced* protections with respect to at least some of the Agencies' concerns. For example, once a consumer makes a payment with a credit card, if there is a subsequent dispute regarding the

[14] The RFI implies that financial institutions that partner with providers should have some obligation to determine if the cardholder qualifies for charity care offered by providers. It is not clear how this could work given that the financial institution is not in a position to understand the provider's qualification requirements or the cardholder's ability to satisfy those requirements. It is also not clear that those who would qualify for charity care would also qualify for, or have access to, a credit card such as CareCredit. Having said that, CareCredit would like to discuss potential options that may help to address the concerns described in the RFI.

provider's bill or services rendered, Regulation Z provides that the consumer can dispute the charge through the card issuer and have the ability to receive a refund even if the provider refuses to provide a refund to the cardholder.[15] There are also circumstances where a consumer receives a discount from the provider in exchange for immediate and upfront payment, such as through use of a credit card.

We also note that the concern about "medical debt" in the context of this RFI seems to omit critical contextual consideration. To the extent the Agencies have concerns about consumers using credit cards or MPPs to pay out-of-pocket expenses for medical care, it seems there are essentially two other alternatives for most consumers: (i) they could use a different form of payment (primarily cash or check); or (ii) they could forgo care.[16] Our strong belief is that consumers prefer to have access to care, even if they need to pay for such care through use of credit. We also believe that this is the correct public policy choice.[17] Even if the Agencies' focus was on the fact that consumers pay interest on loans used to pay for health and wellness care, it is not clear that consumers would be better served if they did not take the loan with interest (and therefore did not receive the care).[18]

The Agencies also suggest that consumers avoid or delay medical care "out of concern about high costs or medical debt or because they believe they will be turned away due to their unpaid medical bills."[19] As it relates to consumers avoiding health care due to concerns about medical debt, it is not clear what the alternative would be if they do not have cash readily available. Also, if the consumer avoids going to a provider because the consumer has not paid the provider for prior medical care, it would appear that having access to credit to pay the provider would *mitigate,* not *exacerbate,* this concern.

Deferred Interest

The RFI expresses concern about deferred interest financing. CareCredit is proud to offer consumers deferred interest financing. Although the Agencies call deferred interest promotions "complex," they are actually not complicated and have been enjoyed by consumers for decades. Furthermore, as discussed below, the CFPB has noted that consumers generally understand how deferred interest financing works. CareCredit's promotional financing offers, including deferred interest financing, are key consumer value propositions that help differentiate CareCredit from other credit options. We believe our promotional financing offers are a key reason CareCredit has such a strong net promoter score and customer satisfaction numbers. Large numbers of providers and other types of retailers continue to rely on deferred interest financing to drive customer satisfaction because it works.

We know consumers like deferred interest financing because they have told us and others, including the CFPB, so. We include here selected excerpts from comments submitted by CareCredit cardholders to the CFPB in response to the RFI.

- "Having an option, like CareCredit's promotional financing, that can give you the time you need to get your next paycheck to finish paying that bill, makes the difference between being able to pay these healthcare bills and not being able to at all." A. Nickel

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[15] *See, e.g.,* 12 C.F.R. 1026.13.

[16] We surmise that most consumers who would be able to pay with cash or credit would not qualify for charity care. Also, while we recognize the Agencies' desire for providers to offer in-house financing options, it is not clear that such options are or will be prevalent, especially outside of the hospital and health system environment. There is no reason providers could not offer such financing options even if they also accepted other forms of credit.

[17] As noted above, our comments relate to the current methods available to pay for health care. We offer no comment on potential approaches to reforming the health care system.

[18] As we explain elsewhere, this would seem to be an issue that deferred interest financing could mitigate.

[19] *Request* at 44284.

- “Deferred-interest financing allowed me to pay for a number of necessary services over the years that I wouldn’t have been able to reasonably afford otherwise, including multiple surgeries, physical therapy, and life-extending care for my beloved dog. In addition to offering extremely valuable, cost-saving options to pay for health and veterinary care, deferred-interest programs like CareCredit provide accountability for paying bills on time and help cardholders like me establish good credit habits while keeping them out of long-term medical debt.” Lane S.
- “I lived on a tight budget with my young family for 20 years before I finally finished my degree and got a better-paying job. There's no way I could afford the huge chunks of dental payments. CareCredit allowed me to budget interest-free dental work for my family. Our dental plans and prices are bad enough without making people who live paycheck to paycheck ALSO have to pay interest on basic care.” Jenaca W.
- “As a person who had to go on Social Security Disability unexpectedly, I was only able to keep my cats and get them veterinary care when needed because of Care Credit and deferred interest financing. Without it, I may have had to surrender my pets to a shelter, which would most likely have resulted in them being euthanized.” Joan G.
- “As a disabled veteran who is only 90% rated, I do not qualify for dental coverage of any kind through the VA. I must pay out of pocket for all dental. Having the interest-free care credit program has been the only way I could afford dental care! Don't allow this very important program to be taken away!” Veronica R.

We also provide additional examples of cardholders’ satisfaction with deferred interest in Appendix C to this letter.

When talking about deferred interest, a key fact to understand is that consumers pay no interest on the promotional transaction roughly 75-80% of the time. That means millions of consumers every year are paying no interest on the loan they use to access the health and wellness care they want. It is also important to note that the fact that a consumer pays interest on a deferred interest promotion is not necessarily a “failure” of the product, or indicia of consumer harm or misunderstanding. In fact, with CareCredit, the deferred interest promotional financing is *automatic* with qualifying purchases. If the consumer uses the card for a qualifying transaction, that transaction automatically benefits from deferred interest financing. The cardholder does not need to ask for the promotion because it is a standard value proposition. Although the promotion has been applied to the transaction, the cardholder may not intend to take advantage of it (*e.g.*, the cardholder may intend to revolve the balance beyond the promotional period). In this scenario, the fact that the consumer did not repay the promotional balance in the promotional timeframe is not indicative of anything other than the consumer intended to take advantage of a longer repayment period. Regardless, the option to repay the balance in full during the promotional period and avoid interest being assessed remains, however.[20]

We will take this opportunity, however, to point to prior CFPB statements to address concerns about complexity and whether subprime cardholders are somehow harmed by a form of financing that allows them to pay no interest.[21]

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[20] There are a variety of reasons a consumer may not pay a promotional balance during the promotional period, and therefore pay the interest associated with the transaction. “Consumer misunderstanding of the offer” is likely toward, or at, the bottom of the list of such reasons.

[21] We note that the information cited pertains to deferred interest promotions surveyed by the CFPB, which was not limited to Synchrony or CareCredit.

- "In focus groups, consumers generally recognized that they would be subject to a significant interest charge unless they paid their full promotional balance during the deferred interest period."[22]
- More than 75% of deferred interest transactions are taken by consumers who have had at least one prior deferred interest transaction.[23]
- "Some retailers and issuers…assert[] that deferred interest products generally attract few complaints overall."[24]
- "[…]nearly 90% of deferred interest promotional spending is made by consumers with prime or superprime credit scores."[25]
- "Consumers with deep subprime and core subprime scores account for 3% and 8% of deferred interest promotional spending, respectively."[26]
- "[…]the average income associated with a deferred interest offer is higher than the average income associated with an open private label account or an open general purpose account."[27]
- "[…]consumers with incomes in the lowest two quintiles accounted for only 8% of all deferred interest loans."[28]
- "[…]the aggregate costs assessed to all deferred interest users are comparable, or even less expensive, than revolving the same balances on general purpose cards," including for subprime borrowers.[29]

Conclusion

CareCredit shares the Agencies' desire for consumers to receive the care they need, when they need it. We are proud of the role we play in expanding access to health and wellness care, and we look forward to learning more about how CareCredit can continue to play a positive role in health and wellness payments.

Sincerely,

Alberto B. Casellas
Executive Vice President and CEO, Health & Wellness
Synchrony Financial

[22] Consumer Financial Protection Bureau, *The Consumer Credit Card Market*, December 2015 at 152, note 20.
[23] *See id.* at 181.
[24] *Id.* at 190. The low complaint rate is despite the fact that if a cardholder sees an unexpected large sum of interest assessed at the end of the promotional period, the first call the cardholder will make is to the card issuer to complain.
[25] *Id.* at 16.
[26] *Id.*
[27] *Id.* at 157.
[28] *Id.*
[29] *Id.* at 17 and *see id.*at 197.

APPENDIX A: ANSWERS TO SELECT QUESTIONS POSED IN THE RFI

General note: As described in the our narrative response, the Agencies' definition of a "medical payment product" or "medical credit card" excludes CareCredit. The questions in the RFI relate to such products. We have therefore recrafted the questions to pertain to CareCredit.

General Questions (Market Level)

Question 1. What are the benefits, costs, and risks of medical payment products for consumers, health care providers, and companies offering [CareCredit]?

> As described in more detail in our narrative response, CareCredit allows cardholders to obtain the care they want when they want it. Not only does CareCredit expand access to health and wellness services, but it does so in a responsible manner.

Question 2. What are the terms of [CareCredit], including interest rates and fees?

> The current terms for a CareCredit credit card can be found on CareCredit's website, www.carecredit.com.

Question 8. What incentives do[es] [CareCredit] offer health care providers, including revenue-sharing or other financial or non-financial incentives?

> CareCredit does not provide any incentives to any provider associated with consumers' use of CareCredit cards. However, CareCredit may offer a provider prospective pricing based on historic payment volumes.

Question 12. To what extent are patients using [CareCredit or other credit products] to pay bills that are incorrect, or that could be covered or defrayed by lower-cost alternatives?

> We have no information regarding whether credit cards, such as CareCredit, are used to pay bills that are incorrect or could be paid through other means. As noted in our narrative, however, the use of a CareCredit card affords the cardholder protections not found with other forms of payment if the cardholder subsequently wants to dispute the transaction. These dispute rights are enumerated in the CFPB's Regulation Z.

CFPB-Specific Questions

Question 1. What actions should the CFPB consider taking to address problematic practices related to medical credit cards or loans, including debt collection and credit reporting practices?

> CareCredit cannot speak to "medical credit cards or loans" as CareCredit is neither. However, in the event that an entity subject to the CFPB's jurisdiction is engaged in unlawful practices, it would appear that the CFPB has sufficient authority to take appropriate action. The CFPB does not appear to have the authority, nor should it attempt, to regulate how a credit card issuer bills or collects from a cardholder, or reports data to a consumer reporting agency, based on what the consumer obtained through use of the credit card.

Question 2. How do[es] [CareCredit] typically market to providers?

> CareCredit attends events and tradeshows sponsored by various provider professional organizations for its members, partners and vendors. CareCredit typically has a booth hosted by sales teams, participates through guest panels/speaking engagements and other sponsorship opportunities (e.g., branded signage, reception, etc.) at the event. Marketing also includes direct mail, email, print and digital media advertising in relevant industry publications targeted to the different providers and practice management.

Question 4. Do consumers understand the risks of paying medical bills via a medical credit card, installment loan, or other commercial payment product, including lowered ability to negotiate their bill with their provider?

> We are unaware of risks specific to use of a credit card, installment loan, or other commercial payment product that are specific to medical bills. We do not agree that the consumer's ability to negotiate a bill is impaired simply because the consumer chose to use a commercial payment product to pay the bill. Any ability to negotiate is unaffected by the tender type used to pay a bill. To the extent the CFPB believes a consumer loses the ability to negotiate a bill once it is paid, that would be true regardless of how the bill was paid.

Question 7. How are health care providers and financial companies using credit or "propensity to pay" scores to determine patients' eligibility for financial assistance or medical payment products? What are the implications for compliance with the FCRA or other CFPB authorities?

> CareCredit does not provide such scores and therefore cannot provide perspective.

<u>HHS-Specific Questions</u>

Question 8. What financial relationships exist between [CareCredit] and health care providers? For example, do companies provide financial incentives to providers who enroll patients in medical payment products? Do providers pay financial companies to collect patients' overdue balances? Or do providers have arrangements with financial companies to indemnify the company in whole or in part if the patient defaults, such as an arrangement that when patients default on their debt to the financial company, the debt reverts to the provider?

> As it relates to providers, CareCredit has relationships with providers that would be similar to other closed-network credit card networks. Specifically, CareCredit acts as an acquirer for CareCredit card transactions. As such, CareCredit collects fees in connection with a provider's acceptance of the CareCredit card. CareCredit does not provide any incentives to any provider associated with consumers' use of, or applications for, CareCredit cards. However, CareCredit may offer a provider prospective pricing based on historic payment volumes. If a consumer defaults on a CareCredit card, CareCredit suffers the loss. The debt does not revert to the provider.

Question 10. Do[es] [CareCredit] recommend certain health care providers to their users? Do companies limit where or how patients use [CareCredit]?

> Like other closed-network credit card networks, CareCredit has the ability to determine who can accept the CareCredit credit card. CareCredit is currently accepted at over 266,000 locations in the United States. CareCredit does not "recommend" any particular provider, although we do provide cardholders with a "provider locator" on our website if they would like to find a provider near them who accepts the CareCredit card. CareCredit generally does not limit how a consumer can use the CareCredit card (assuming the location accepts the card in the first place), although agreements with some providers or merchants may limit what can be purchased using the card (e.g., the merchant may accept the card for purchases only in some departments). Of course, CareCredit is a responsible underwriter and therefore, for example, sets credit limits on the card and may prevent the card from being used for new transactions if the consumer is seriously past due.

Treasury Specific Questions

Question 8. Does the availability of [CareCredit] generally benefit the community or assist patients financially.

> The availability of CareCredit benefits the public. CareCredit allows cardholders to get the care they want, when they want it. In this way, CareCredit expands access to care. Not only does CareCredit expand access to care, but it allows a cardholder to pay for such care over time in a way that fits the cardholder's budget. Unlike most other forms of payment, CareCredit also offers promotional financing that allows cardholders to avoid paying any interest on the vast majority of qualifying transactions.

APPENDIX B: TRANSPARENCY PRINCIPLES

Synchrony Bank promotes full transparency and disclosure to all applicants for its healthcare financing program (the "Program"). To ensure that applicants are aware of several key attributes of the Program, you hereby agree as follows:

1) You will ensure that those personnel in your office who discuss the Program with applicants (e.g., in office/store or via telephone) take and pass training offered by Synchrony Bank. Helpful training materials including videos, self-paced courses and pre-recorded webinars can be found online in Provider Center: https://www.carecreditprovidercenter.com/portal/newWindowAction?scoid=246.

2) You must retain each Program applicant's signature page for no less than 25 months from the date of the application. Failure to keep and, upon request, produce these documents to Synchrony Bank may expose your office to an automatic chargeback upon consumer dispute.

3) You will follow the Synchrony approved advertising templates, and other disclosures or processes in the manner directed by Synchrony in creating or distributing advertising about the Program.

4) You, your staff, and all promotional materials must inform Program applicants about the different special financing options available to them and how these promotions work BEFORE choosing which option to use for their specific purchase. Consumers who want to learn more about deferred interest or waived interest promotions should be referred to materials provided by Synchrony. You must disclose the following information to each customer that is using special financing options:

- Credit issued under the Program is extended by Synchrony Bank and not by their healthcare provider/retailer (e.g. the Program is NOT an in-house credit program).
- The length of the applicable promotion/loan term and interest rate;
- Whether the promotion expires and if so, what happens upon expiration;
- Required payments during the promotional period;
- The CareCredit credit card is NOT an interest-free credit card. For deferred interest promotions made on a CareCredit credit card, interest accrues on the outstanding promotional balance during the promotional period from the date of the transaction. Finance charges can be avoided ONLY IF the promotional balance is paid off prior to the end of the promotional period. Please refer consumers to Synchrony-provided information if they are interested in receiving more information;
- For waived interest promotions on an installment loan, monthly payments are set up to fully pay off the loan over the fixed full term, not over the promotional period. Interest charged will be waived ONLY IF the customer pays an amount equal to the financed amount prior to the expiration of the promotional period.

5) Program accounts should only be charged for those costs incurred or services actually rendered within 30 days of the charge. Additional services may be billed as you provide them to the consumer. These requirements do not apply to charges for orthodontic services or custom products ordered by the consumer. Additionally, services may be rendered or products may be delivered within a period of time longer than 30 days following charges on an Account for specific industries as communicated in writing to you by Synchrony Bank.

6) You agree to respond to inquiries from Synchrony Bank regarding consumer complaints and/or disputes within the time frame specified with each request.

7) You will advise customers of your policy regarding returns/refunds. Your refund policy must be reasonable and fair in Synchrony Bank's sole discretion.

8) These program guidelines are designed to provide transparency for patients and customers using the Program. Synchrony Bank reserves the right to monitor your adherence to these and other policies. Professionals who violate these policies will be subject to chargebacks as well as to termination.

APPENDIX C: SELECT PORTIONS OF TESTIMONIALS FILED BY CARECREDIT CARDHOLDERS IN RESPONSE TO THE RFI

“Deferred-interest financing allowed me to pay for a number of necessary services over the years that I wouldn’t have been able to reasonably afford otherwise, including multiple surgeries, physical therapy, and life-extending care for my beloved dog. In addition to offering extremely valuable, cost-saving options to pay for health and veterinary care, deferred-interest programs like CareCredit provide accountability for paying bills on time and help cardholders like me establish good credit habits while keeping them out of long-term medical debt.” Lane S.

“I lived on a tight budget with my young family for 20 years before I finally finished my degree and got a better-paying job. There's no way I could afford the huge chunks of dental payments. CareCredit allowed me to budget interest-free dental work for my family. Our dental plans and prices are bad enough without making people who live paycheck to paycheck ALSO have to pay interest on basic care. Some people take care of their teeth but are still genetically prone to dental issues. Have you ever had to randomly pay two to three thousand dollars for root canal work? While living at the poverty line? It's hard to plan for that working for low wages and supporting a family. Deferred interest promotions from CareCredit was the only solution for me, and I continue to use it to help budget expenses greater than the allowed FSA amount each year. Now that I have a decent job and can contribute the max in FSA deductions, I have three kids in orthodontics, and our family still needs other dental work done along the way. Honestly, in case you couldn't tell, I'm passionate about this. Please don't take deferred interest programs away. Feel free to contact me if you have further questions. Thank you.” Jenaca W.

“As a person who had to go on Social Security Disability unexpectedly, I was only able to keep my cats and get them veterinary care when needed because of Care Credit and deferred interest financing. Without it, I may have had to surrender my pets to a shelter, which would most likely have resulted in them being euthanized because cats are more numerous in shelters and because my cats were already "senior cats" by the time I became too sick to work, which would have made them even less likely to be adopted. Not to mention how emotionally devastating that would have been. Care Credit and deferred interest financing also help me. Medicare doesn't cover dental and vision. I've needed substantial dental work since becoming disabled, and I need eyeglasses. Both can be very expensive.” Joan G.

“There are many health issues I am experiencing that I have not taken care yet of because my copay and the uncovered amounts will be hard to pay. I do not have dental and vision coverage as I cannot afford the extra deduction from my pension. As a result, I have not purchased new glasses or had my eyes examined in a few years. A typical pair of glasses costs me $600 and that's with some of the cheapest frames. I can't visit the dentist regularly for cleanings because I can't afford to more than once a year. I would not be able to pay any uncovered health expenses if it were not for the availability of the payment plans offered through credit companies such as CareCredit. Even with such resources, I must keep within a budget to make the monthly payments. With regard to veterinary services, I recently paid out over $10,000 in six months for medical care for my beloved (now sadly deceased) dog. Her last few months on Earth were made a little easier for her because I am able to pay for her medical care without huge interest charges.” Elisabeth T.

“As a disabled veteran who is only 90% rated, I do not qualify for dental coverage of any kind through the VA. I must pay out of pocket for all dental. Having the interest-free care credit program has been the only way I could afford dental care! Don't allow this very important program to be taken away!” Veronica R.

“Without CareCredit’s deferred interest option, I would not be able to manage my family’s healthcare debt and would have no way to pay for emergencies, necessary dental care, and treatments for unforeseen illnesses. During this time I am going through a financial hardship, and CareCredit has been a lifesaver to keep me and my family healthy, sheltered, and able to work.” Katherine W.

“CareCredit with deferred interest has been a lifesaver for both me and my pets!” Kathy G.

“I can’t possibly think of why anyone would want to take away a service like Care Credit when it helps so many. I wouldn’t be able to get emergency medical services for my dog or pay for medical expenses without worry if I didn’t have Care Credit.” Angel D.

“Further, as an example of how CareCredit has helped me, my cat needed emergency surgery and if I had not had care credit I would have had to pay for him to be put down. Even more importantly, my child needed 3 root canals in one year and had to be hospitalized due to cellulitis from her tooth infection. There is no way I could have afforded her dental work without the interest-free options I got from care credit to allow a then 14-year-old to keep her teeth and not have to have them pulled.” Rachael W.

“I am currently using my CareCredit card to pay off a surgery for my cat. Without CareCredit, that unexpected surgery would have been a bit hit to my finances, but now I am able to pay it off at my own pace.” Victoria L.

“If it weren’t for CareCredit, I wouldn’t be able to have lower dentures. I required surgery to remove tori bones and implants because there weren’t enough gums left for a regular lower denture. I had gone four years without bottom teeth. If it weren’t for CareCredit I would still be toothless and limited in what I can eat. I’m very certain there are others in my situation who do not have a way forward. Please take our plight into consideration.” John S.

“CareCredit has helped me greatly being a single mother. Babies are already expensive, but adding bills on top of that makes it more expensive. CareCredit helps me be able to pay for things I need while still being able to afford larger bills. Without CareCredit I wouldn’t be able to afford basic needs on top of bills that have deadlines. With inflation, CareCredit has been an absolute blessing for me and my family to keep affording necessities and also being able to pay off larger bills.” Olivia H.

“Without CareCredit my dog couldn’t have had the required surgery. She was family and without it, we’d have had to put her down. I also used Care Credit when I didn’t have any credit cards for dental work. Not everyone has the ability to qualify for regular cards or deal with those interest rates. Don’t punish low-income people even more.” Robin M.

“Without CareCredit my son wouldn’t get necessary dental treatment and orthodontist appointments not covered by my insurance without stressing my family finances.” Tiffany H.

“Without care credit I could not have gotten braces for my daughter's teeth nor her wisdom teeth pulled as I needed financing for $4900 to do both one six months after the other. And special financing helps keep my costs lower.” Janine T.

“Without the ability to use my CareCredit card, I would not be able to afford my dental care. Coverage for dental care is very limited. My dental insurance does not cover the full cost of a crown, root canal, or filling of cavities. I have to use my CareCredit card to cover the cost and be able to pay it off with a lower monthly payment. Dental providers primarily require the full cost of the procedure at the time of service. I am a full-time RN and still cannot afford that type of upfront cost. I wish more providers took CareCredit because it would allow more people the opportunity to pay their bills in smaller amounts making the healthcare that insurance doesn't cover, more affordable.” Shannon T.

“There are MANY Americans who do not have health insurance or are not able to afford health insurance premiums that will actually afford them any sort of substantial care. Having an option, like CareCredit’s promotional financing, that can give you the time you need to get your next paycheck to finish paying that bill, makes the difference between being able to pay these healthcare bills and not being able to at all. Healthcare in America is already a joke. Please, for the love of everything, don’t make it harder than it already is.” Alexandria N.

“As a millennial and dedicated dog mom, I rely on CareCredit to be available any time, any place so I can be at ease that my fur baby will have access to life-saving care. I take immense comfort that l have never had to choose between their life or my wallet. I implore you, do not take away my option for this type of financing, especially when there are so few assurances for pets.” Erin S.

“I'm on a limited income and would not be able to afford veterinary care for my pets and dental work for me not covered by insurance without the use of deferred financing with CareCredit. I urge you to protect this type of promotional financing.” Leslie W.